

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
FINANCIAL ASSISTANCE DIVISION**

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 322-1560
FAX (916) 323-6016

**CDBG****Community Development Block Grant Program****MANAGEMENT MEMORANDUM****Memorandum Number 07-03**

Date: February 7, 2007

TO: Eligible CDBG Jurisdictions

From: Chris Westlake
Acting Deputy Director, Division of Financial Assistance

SUBJECT: USE OF CDBG FUNDS FOR FREEZE DISASTER RECOVERY

This memo is to notify Community Development Block Grant (CDBG) grantees of their options for using CDBG funds in response to the recently declared California Freeze Disaster.

Governor Arnold Schwarzenegger declared a natural disaster in specific California counties due to the extremely low temperatures and freezing conditions during the period of January 6, 2007 through January 19, 2007. A list of counties is at the end of this memo.

Eligible CDBG jurisdictions with open grant allocations may redirect their available funds to target freeze disaster related losses.

Existing open CDBG grants:

CDBG funds may be utilized by existing grantees for freeze disaster recovery by requesting redirection of funds for CDBG eligible activities. A resolution by the governing body authorizing the change in activity along with a Disaster Recovery Plan, detailing the amount of funds redirected, the types of activities funded, along with milestone and completion dates must be submitted to the Department. Grantees would be required to hold a public hearing on the proposed changes to the existing grants. After review and approval by the Department, and depending on the activity, the standard agreement may need to be amended to incorporate the change in activity. The National Environmental Protection Act (NEPA) review must also be completed for the proposed activity.

Program Income held at the local level:

Grantees may redirect their program income funds to freeze related activities. Program Income may be used to augment funding for an existing open CDBG grant activity or on any Program Income Revolving Loan Activity. This process may bring a quicker access to funds. However depending on the grantee's Reuse Plan, a revised Reuse Plan may have to be drafted and a public notice held to allow citizen input on the proposed changes. Once approved, and the NEPA clearance is obtained, the local jurisdiction may start directing their program income funds immediately, without having to provide a funds request or contract amendment.

To summarize the process. The Department would need documentation of the following:

1. A public hearing was held to allow comments on any proposed changes in activity;
2. A Resolution from the governing body approving the change in activity, listing the dollar amounts and type of CDBG eligible recovery activities;
3. A Disaster Relief Plan;
4. If needed, a NEPA environmental review for the proposed activities.

Activities allowed under the urgent need for freeze related recovery, may include grants to provide emergency rental assistance for up to three months, assistance to small businesses affected by the freeze, working capital loans for small businesses, repairs to water and/or sewer systems or other CDBG approved activities related to the freeze disaster.

Federal overlay requirements apply to all activities. Please work with your CDBG representative if you elect to redirect the use of either Program Income or existing open grant funds on freeze disaster recovery activities.

List of counties from Office of the Governor Press Release dated 1/26/07:

Fresno, Imperial, Kern, Kings, Madera, Merced, Monterey, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Santa Clara, Stanislaus, Tulare, Ventura and Yuba